

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:64

ANSWERED ON:17.10.2008

PEERLESS GENERAL FINANCE AND INVESTMENT CO.LTD

Acharia Shri Basudeb

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India directed the Peerless General Finance and Investment Co. Ltd. to close down the Residuary Non-Banking Company's (RNBC) business from 31 March,2011;
- (b) if so,the facts and details thereof;
- (c) whether RBI has received any formal representation from Peerless Company to continue the business of RNBC;
- (d) if so,the observation and decision of RBI in this regard;
- (e) whether RBI has given directives to the peerless Company to invest 100 percent deposit in Government approved securities;
- (f) if so,whether RBI has taken into consideration Peerless's commitment to give returns to the certificate holders;
- (g) if so,the details thereof;and
- (h) the reasons behind RBI's directives to close down the business of RNBC?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PAWAN KUMAR BANSAL)

(a) to (d): In September, 2007 Reserve Bank of India (RBI) had advised the Peerless General Finance and Investment Co. Ltd. to transit from Residuary Non-Banking Companies (RNBC) business to the new business model by March 31, 2011 i.e. within a period of 4 years starting from April 1, 2007. The company had requested the bank to permit it to continue its RNBC business for 5 years i.e. upto March,2012. After due consideration, the company has been advised by the RBI to transit from RNBC business to other business model by March 31, 2011.

(e) to (h): In terms of provisions of Residuary Non Banking Companies (Reserve Bank) Directions, 1987, with effect from April 1, 2007, all the RNBCs are required to invest 100 percent of their Aggregate Liability to Depositors (ALD) in directed investment. The main objective of modifying RNBC directions directing the companies to invest 100 percent of their ALD in directed investments is to impart greater liquidity and safety to the investments of RNBCs and thus enhance protection available to depositors. Further, under the provisions of RNBC directions, the bank of also prescribed minimum rate of return which the RNBCs are bound to offer on the deposit accepted by them from the public.

In the changing financial environment it was recognized that the business model followed by RNBCs is unviable and not in the interest of the depositors.

RBI has issued guidelines on 24th April,2008 on recovery agents engaged by banks. The RBI has advised the banks to ensure verification of antecedents of employees of recovery agencies engaged by them. Police verification has been suggested as one of the pre-employment due diligence measures. RBI has also stipulated that all recovery agents should undergo a training-cum-certification programme offered by Indian Institute of Banking and Finance (UIF).